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# Intellectual Asset Management at the Speed of Business

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## INTELLECTUAL ASSET MANAGEMENT AT THE SPEED OF BUSINESS

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## I. INTRODUCTION

In an article published by The Economist in 2005, it was noted that as much seventy-five percent of the value of U.S. companies is attributable to their intellectual property (IP).<sup>1</sup> Managing a portfolio of IP seems quite simple.<sup>2</sup> Successful IP management is aligning IP assets with business strategy. Over the past thirty years, as the U.S. economy has experienced a dramatic shift from a manufacturing economy to a knowledge-based economy, the notion of strategic intellectual asset management (IAM) has garnered significant attention from companies worldwide. Many authors, with wide ranging experience and perspectives, have addressed the topic. However, missing from the discourse is a framework to which practitioners and business executives can turn, absent experience, for straightforward guidance in developing an IAM plan.

This article addresses that void and provides a framework in which anyone can develop a strategy for managing their IP to meet their business goals and objectives. This is IAM at the speed of business. This commentary also serves as an introduction to the articles in this issue of *Cybaris®, an Intellectual Property Law Review*, addressing IAM best practices as presented by industry experts at the October 4, 2013, continuing legal education seminar, entitled *Managing IP Assets at the Speed of Business* and hosted by the Intellectual Property Institute at William Mitchell College of Law, Saint Paul, Minnesota.<sup>3</sup>

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<sup>1</sup> *A Market for Ideas*, THE ECONOMIST, Oct. 22 2005, at 4.

<sup>2</sup> IP broadly refers to all categories of IP—patents, trademarks, copyrights, trade secrets, business know-how, etc.

<sup>3</sup> Susan Krelitz et al., Conference Presentations at the William Mitchell College of Law Continuing Legal Education Seminar: Managing IP Assets at the Speed of Business (Oct. 4, 2013) (recording on file with William Mitchell College of Law); See generally *Intellectual Property Institute*, WILLIAM

The significance of managing a portfolio of intellectual assets has an impact far beyond increasing the value of a business investment. According to a report prepared by the U.S. Department of Congress, in 2010, twenty-seven percent of jobs in the U.S. economy were directly and indirectly attributable to IP.<sup>4</sup> Managing IP at the speed of business may be the key to long-term sustainable growth and job creation for the U.S. and world economies.<sup>5</sup>

#### *A. Intellectual Assets & Business Strategy*

There is no doubt we are in the age of the intellectual asset economy and, in fact, have been for some time.<sup>6</sup> In 1999, a New York Times columnist observed that the 1990s were years “that saw [IP] transformed from a sleepy area of law and business to one of the driving engines of a high-technology economy.”<sup>7</sup> That transformation has only accelerated in the subsequent decades. Patent and trademark applications have skyrocketed.<sup>8</sup> In less than a

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MITCHELL COLLEGE OF LAW, <http://web.wmitchell.edu/intellectual-property/> (last visited Nov. 11, 2013).

<sup>4</sup>ECON. & STATISTICS ADMIN. & U.S. PATENT & TRADEMARK OFFICE, INTELLECTUAL PROPERTY AND THE U.S. ECONOMY: INDUSTRIES IN FOCUS 43 (2012), available at [http://www.uspto.gov/news/publications/IP\\_Report\\_March\\_2012.pdf](http://www.uspto.gov/news/publications/IP_Report_March_2012.pdf).

<sup>5</sup>See Sarah Daly, *How Intellectual Property Could Save the Economy*, GUARDIAN SUSTAINABLE BUSINESS BLOG (Apr. 26, 2013, 5:16 AM), <http://www.theguardian.com/sustainable-business/blog/intellectual-property-design-sustainable-innovation/>.

<sup>6</sup>Jean-Pierre de Chalais, *Conducting an Intellectual Property Audit*, MAXIMIZING THE VALUE OF INTELL. PROP. 24, 24 (Joff Wild ed., 1997) (stating more than fifteen years ago—that “[t]oday, the commercial importance of intellectual property is unquestioned.”).

<sup>7</sup>Sabra Chartrand, *A Federal Agency, In Transition, Reaches Out to Independent Inventors with a New Department*, N.Y. TIMES, Apr. 5, 1999, available at Proquest, Doc. No. 431147199.

<sup>8</sup>See U.S. Patent Activity, *Calendar Years of 1790 to the Present*, U.S. PATENT & TRADEMARK OFFICE, [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h\\_counts.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm) (last visited Nov. 11, 2013); *Statistical Country Profiles*:

decade, annual U.S. receipts for the use of IP have risen from just shy of \$75 billion to nearly \$122 billion—a staggering sixty-three percent increase.<sup>9</sup> Million dollar IP deals occur daily.<sup>10</sup> Billion dollar IP deals are consummated with increasing frequency.<sup>11</sup> It is not just “high-tech” companies like Google, Microsoft, and Samsung that need an integrated IAM strategy.<sup>12</sup>

The volume and value of intellectual assets compels not just business executives, but every employee in companies of all sizes to have some understanding of their company’s IP portfolio and IAM best practices.<sup>13</sup> As intellectual assets increasingly fuel

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*United States of America*, WORLD INTELL. PROP. ORG. [WIPO], [http://www.wipo.int/ipstats/en/statistics/country\\_profile/countries/us.html](http://www.wipo.int/ipstats/en/statistics/country_profile/countries/us.html) (last visited Nov. 11, 2013).

<sup>9</sup> *Charges For the Use of Intellectual Property, Receipts*, THE WORLD BANK, <http://data.worldbank.org/indicator/BX.GSR.ROYL.CD/countries> (last visited Nov. 11, 2013) (tabulating “payments and receipts . . . for the authorized use . . . patents, trademarks, copyrights, industrial processes and designs including trade secrets, . . . and for the use, through licensing . . . [of] copyrights on books and manuscripts, computer software, cinematographic works, and sound recordings and related rights.”).

<sup>10</sup> See generally IP WIRE, <http://www.ipwire.com/> (last visited Nov. 11, 2013) (providing a constant aggregation of news stories about “IP Deals, IP Tech Transfer, and IP Commercialization transactions.”).

<sup>11</sup> See, e.g., James Kanter & David Streitfeld, *Google Deal for Motorola Mobility Gets Clearance*, N.Y. TIMES, Feb. 13, 2012, at B7, available at 2012 WLNR 3143071 (describing Google’s \$12.5 billion purchase of Motorola and its patent portfolio); Chris V. Nicholson, *Nortel Sells Last Patent Assets for \$4.5 Billion to Alliance Including Apple and Microsoft*, N.Y. TIMES, July 2, 2011, at B3, available at 2011 WLNR 13129855.

<sup>12</sup> See generally PATRICK H. SULLIVAN ET AL., PROFITING FROM INTELLECTUAL CAPITAL: EXTRACTING VALUE FROM INNOVATION 157–252 (1998) (detailing the IAM strategies of Eastman Chemical Company, Xerox Corporation, Dow Chemical Company, Avery Dennison, and Neste Oy).

<sup>13</sup> Alexander J. Wurzer & Paul DiGiammarino, *Smaller IP Owners Seek Better Management and Returns*, MANAGING INTELL. PROP., Dec. 2008/Jan. 2009, at 1 (“Large-scale enterprises with worldwide operations have already

business growth, and our economy, it is critical that every organization develop strategy for managing intellectual assets. As stated at the outset, successfully managing a portfolio of intellectual assets means aligning your IP with your business's goals and objectives. The expense of creating, tracking, and effectively extracting value from intellectual assets makes it imperative to develop an IAM strategy.

### *B. Understanding Intellectual Asset Management*

#### 1. Core IP Law & Everyday Practice

The first step in managing an IP portfolio is considering the statutory nature of acquiring and maintaining IP rights. Picture a circle with two concentric circles out from the bull's-eye.<sup>14</sup> Consider the pupil—the core of the circle—as the statutes, laws and regulations that govern the process of granting IP rights. Having a thorough knowledge and understanding of the fundamental law that controls your IP assets is the first step and foundation for developing your IAM strategy. In a statutory practice, if you do not adhere to the law, you lose your rights.<sup>15</sup>

Next, consider the iris, or the color. The color represents the most noticeable feature of both an eye and an IP practice—the “daily grind,” so to speak. This circle represents what you see and do every day in an IP legal department, e.g., corresponding with the inventors, brand managers, and other company employees, drafting and reviewing documents, researching the law, responding to business constituent questions and needs, attending meetings,

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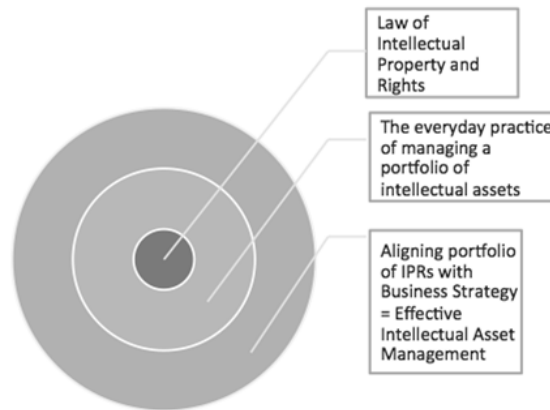
adapted to changed realities and now small and medium-sized enterprises (SMEs) feel the need to capitalise on their IP assets.”).

<sup>14</sup> See *infra* Figure 1.

<sup>15</sup> See, e.g., *Davis v. Brouse McDowell, L.P.A.*, 596 F.3d 1355, 1358–59 (Fed. Cir. 2010) (discussing legal malpractice claim for “failing to timely file three [Patent Cooperation Treaty] applications”).

and putting out fires. All of these daily activities are important, but can become extremely expensive and unproductive overhead if not properly informed by an IAM strategy.

Finally, the outer circle, or the white of the eye, without which the pupil and iris have no home, is where successful IP management happens. It is within this context in which a framework to develop a strategy for aligning your IP with your business goals and objectives lies.



*Figure 1*

## 2. Communication, Collaboration & the IP Culture

Before discussing the specifics of a framework in which to develop an IP strategy, there is an additional consideration that must be addressed. Communication and collaboration among all business stakeholders is key in any business context and especially so in creating an environment in which strategic IP asset management succeeds.<sup>16</sup> Effectively managing IP requires an

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<sup>16</sup> ERIC M. DOBRUSIN & RONALD A. KRASNOW, INTELLECTUAL PROPERTY CULTURE: STRATEGIES TO FOSTER SUCCESSFUL PATENT AND TRADE SECRET PRACTICES IN EVERYDAY BUSINESS 66–67 (2d ed. 2012).

organization-wide effort. Establishing a pervasive “IP culture”<sup>17</sup> is the most effective way to generate a successful IP strategy. That is, “organizations must cultivate attitudes and behaviors that recognize IP, respect IP, and trade upon the value of IP.”<sup>18</sup> The more you inform those around you what you are doing, how you can help make their job easier, and how they can contribute to the ongoing effort to maximize your portfolio, the greater the success when implementing your strategy. Communication and collaboration are key to successful implementation.

### 3. Aligning an IP Portfolio with Business Goals & Objectives—the Outer Circle

Setting the framework for successful IAM requires activity in five specific areas. These are the five pillars of IAM strategy. The first pillar is to **Identify** all the intellectual assets within your organization that require management. Once identified, the second pillar is to procure and implement a functional system to **Record** your IP. After identifying and recording, the third pillar is to **Align** the IP portfolio with the overall business strategy. The fourth pillar is to **Leverage** the IP—maximizing the value of your IP, whether monetary or intangible value such as corporate goodwill or reputation. The fifth and final pillar is to **Enforce** your rights. Each of these five pillars are discussed in turn.

## II. THE FIVE PILLARS OF INTELLECTUAL ASSET MANAGEMENT

### A. Identifying Your IP

Managing your IP requires knowing what IP rights, both tangible and intangible, you have. Whether you are beginning a strategy or have one in place, identifying IP assets is your first priority. For a company that is implementing a strategy, or going

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<sup>17</sup> *Id.* at 9.

<sup>18</sup> *Id.*



through the process of changing its strategy, an IP audit is an essential starting point. An IP audit is a systematic review of the company's intellectual property assets and liabilities. An IP Audit consists of the following stages: (1) an inventory of existing assets and rights, (2) organization of the portfolio to facilitate ongoing monitoring of the identified IP assets and rights, (3) evaluation of the portfolio to identify gaps in protection and potential liabilities, and (4) development of a business plan for future development and use of IP.<sup>19</sup>

An IP audit will also help identify IP assets that are no longer used, making them attractive targets for sale, or at least cost-saving non-renewal.<sup>20</sup> Identification is also a critical step in mergers and acquisitions—inventorying IP both pre-transaction due diligence and post-transaction due diligence when new assets are integrated into an existing IAM plan.<sup>21</sup>

There are several ways in which to conduct an IP audit.<sup>22</sup> As with every aspect of managing your IP, you must consider your overall business goals and objectives prior to setting the agenda for your IP audit. It is within that context that you can choose the manner in which you conduct your audit. You will also consider the cost and extent to which you will audit your organization when identifying your assets.

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<sup>19</sup> Judith L. Church, *Intellectual Property Aspects of Corporate Acquisitions*, AM. LAW INST.- AM. BAR ASS'N CONTINUING LEGAL EDUC., WL ST016 ALI-ABA 417, 419 (2011).

<sup>20</sup> See de Chalain, *supra* note 6, at 29.

<sup>21</sup> See Kate Spelman, *How To Avoid the New-Post Acquisition Hobby of an IP Ownership Hairball*, LANDSLIDE, Mar./Apr. 2012, at 21, 22.

<sup>22</sup> See generally, *IP PANORAMA 10: IP Audit*, WIPO, <http://www.wipo.int/sme/en/multimedia/flash/10/> (last visited Nov. 24, 2013) (providing an interactive instruction on IP audits).

Based on your goals and objectives, identifying competitors' IP assets can be a critical step to effective asset management.<sup>23</sup> For example, if your overall goal is to be first to market and block your competitors, identifying their assets is crucial. In addition, making sure your research and development (R&D) does not run afoul of existing IP and potential infringement are also goals and objectives requiring you to consider your competitors' assets. Patent mapping is a useful exercise for understanding the competitive landscape and avoiding potential infringement. For example, in patent-intensive industries, smartphones for instance, patent mapping is an important identification tool to use when dozens, hundreds, or thousands of patents apply to one product type.<sup>24</sup> Patent maps are "graphical representations of either the interactions between one particular patent and related patents . . . or of a company's entire patent portfolio and the patents of other companies."<sup>25</sup> Patent maps are "very powerful analysis tools" that "assemble in one place the thoughts, goals, and strategies of the business, technical, and legal areas, resulting in alignment, focus, and combined energy in a single direction."<sup>26</sup>

Once you know what it is that you and your competitors own, recording your assets in a manner that will best assist you in

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<sup>23</sup> See David D. Headrick, *Looking in Unexpected Places for IP Opportunities*, CORPORATE COUNSEL (Oct. 2, 2013), <http://www.law.com/corporatecounsel/PubArticleCC.jsp?id=1202621639095>.

<sup>24</sup> See CENTER ON LAW AND INFORMATION POLICY, FORDHAM UNIV. LAW SCHOOL, THE IMPACT OF THE ACQUISITION AND USE OF PATENTS ON THE SMARTPHONE INDUSTRY 15 (Dec. 13, 2012), *available at* [http://www.wipo.int/export/sites/www/ip-competition/en/studies/clip\\_study.pdf](http://www.wipo.int/export/sites/www/ip-competition/en/studies/clip_study.pdf) (Tens of thousands of patents related to the smartphone have been issued, including approximately 3000 new such patents per month in 2012.).

<sup>25</sup> Charles Boulakia, *Patent Mapping*, CAREER MAG. (Oct. 5, 2001), [http://sciencecareers.sciencemag.org/career\\_magazine/previous\\_issues/articles/2001\\_10\\_05/nodoi.6064638562408340169](http://sciencecareers.sciencemag.org/career_magazine/previous_issues/articles/2001_10_05/nodoi.6064638562408340169).

<sup>26</sup> SULLIVAN ET AL., *supra* note 12, at 162.

aligning your assets with your overall business goals and objectives is the next step.

### *B. Recording Your IP*<sup>27</sup>

Recording your assets in a repository that is right for your organization is one of the most important aspects when managing a portfolio. However, choosing that repository can be a daunting task; it is time consuming and often falls outside the scope of expertise of those charged with the task. There are many factors to consider, and your choice depends on your organization's structure, needs, and finances.

There are two types of systems from which one can choose: traditional docketing systems or asset management systems. Both of these options are commercially available. There is no "one size fits all" when it comes to managing intellectual assets. Every organization has its own needs.

Prior to the development of software solutions, IP dockets were managed manually, using a diary. Law firms used a giant wall calendar or some form of a large hard-covered date book called a diary. Legal secretaries (yes, they were called secretaries) would turn in docketing slips for recording statutory deadlines from the docket slips on the calendar or in the big book for the firm to track due dates in a single log. IP owners relied on the law firm to meet those statutory deadlines.

Usher in the technology boom of the 1980s and you find the filing of patent applications increasing and the need and desire to manage the process changing. By now, we have lived over two decades with automation in just about every aspect of the practice

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<sup>27</sup> The commentary and recommendations in this section are based on the personal expertise of the author, gained over the last decade advising clients on IAM software solutions.

of law, including docketing. In a statutory practice, like IP, due dates reign as king.

It goes without saying that if you miss a due date you are not effectively managing your portfolio. The question is, what is the best way, and who should manage due dates? If the focus is purely on due dates, it often comes at the expense of a strategic approach.

Docketing systems are not designed with strategic management functionality. When these systems appeared two decades ago, they were developed to replace the hard cover diary and the large wall calendar. In most cases, the only value that a docketing system adds beyond automation of that diary is some additional fields and the inclusion, in some versions, of automatic form fill.

Some docketing systems, developed more recently, contain features that allow you to manage internal workflow to some extent; others may have some forms of strategic function built in. However, having been designed based on the needs of a law firm, docketing systems still speak primarily to the legal mechanics and not to the core of managing your intellectual assets from a business perspective.

For most companies, the best practice is to leave the calendaring to the law firm and focus on aligning the portfolio with business goals and objectives, and this requires the functionality of an IP asset management system. IP asset management software is distinct from docketing systems for several reasons.

First, an asset management system avoids building in the cost of liability for country law. That fact alone results in significant cost saving for companies. Second, the strengths of an asset management system are in the business-related areas of managing an IP portfolio.

Companies that want to remain competitive and maximize the benefit of their intangible assets must find ways to objectively measure what are often times subjective criteria. IP asset

management software offers the flexibility and functionality to build and standardize reports on objective criteria.

For example, asset management software contains functionality allowing asset categories. Categorizing assets enables application of a variety of metrics to determine whether a portfolio remains in alignment with business strategy.

A host of further strategic functionality, such as mapping patents to products, tracking budget against spend, managing cost, following relevant third party IP, and managing IP-related contracts such as licensing agreements make asset management software the best choice for companies to manage their intellectual assets.

Perhaps most importantly, modern IP asset management software allows a collaborative approach to internal processes, such as invention review, including all relevant stakeholders necessary to drive the right decisions.

Managing workflow is an important component of recording assets and distinct from docketing. Deadlines must always be met, but those deadlines are based on the way the company works, not on a statutory due date. In managing workflow, automated tasks and reminders are generated based on notice of a statutory date provided by outside counsel or are ideally retrieved directly through an online interface with the respective patent office or authority. This way, there is no need for most companies to maintain and pay for a set of worldwide legal docketing rules. When internal workflow and assets are recorded in a database that meets the needs of an organization, the work of aligning and maintaining alignment is streamlined.

### *C. Aligning your IP*

Alignment is where the rubber meets the road. Alignment means matching your IP strategy with your overall business goals and objectives. Necessarily, alignment requires having a “well-articulated vision” for the business’s future *and* the ability to

“define and measure the current use of [your intellectual assets].”<sup>28</sup> Alignment is the most challenging aspect of the five pillars within the framework we are discussing because applying workable business metrics is particularly difficult for intellectual assets where there is “greater difficulty . . . estimating the relation between inputs and outputs” as compared to traditional investments in tangible property.<sup>29</sup> Despite the difficulty, “[a]ligning IP measures with the business drivers is the Holy Grail” of IAM.<sup>30</sup>

So how do you do it? There are several options that are helpful in aligning your assets. Setting up categories of assets is extremely useful. The categories you choose will reflect your business goals. For example, if your goal is to maximize profit, your categories may include high market return, low cost production, etc. You can categorize your assets based on international patent classifications as another option.

Developing metrics at various milestones in the lifecycle of each asset is paramount.<sup>31</sup> An IP budget—as simple or as complex as necessary—is an accessible metric for alignment. A budget can be broken down into sub-categories of business units, technologies,

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<sup>28</sup> SULLIVAN ET AL., *supra* note 12, at 36.

<sup>29</sup> Laurie Hunter, *A Management Perspective*, in THE MANAGEMENT OF INTELLECTUAL PROPERTY 66, 77 (Derek Bosworth & Elizabeth Webster eds., 2006).

<sup>30</sup> Rob Williamson, *How Metrics Can Put IP at the Heart of Your Company's Agenda*, INTELL. ASSET MGMT., Aug./Sept. 2004, at 35.

<sup>31</sup> See Amy Achter & Paul DiGiammarino, *New Metrics for Changing Times*, INTELL. ASSET MGMT., Apr./May 2008, at 19, 19–22 (describing Kimberly-Clark's quest for developing workable IP metrics); see also David Kline, *The Team Player*, INTELL. PROP. MGMT., July/Aug. 2009, at 37, 37–38 (describing Microsoft's quest for developing workable IP metrics).

and products.<sup>32</sup> With an IP budget a business can start to “balance expected future [IP] investments in particular product or technology areas versus the expected benefits, i.e., return on investment for that technology area and/or region.”<sup>33</sup>

Another aspect of aligning your IP rights is to determine when you will review your progress. Do you review at development, filing, grant, maintenance, or at all of the listed junctures? You must also consider country strategies; for example, will you file in countries where you develop, manufacture, distribute, and sell your products containing your IP, or in the manufacture, distribution, and selling locations of your competitors? Again, this requires a set of metrics to help you explore the outcomes that will best meet your business goals and objectives.

Your strategy may also be dependent on your industry. For example, biotech industry patents are back-loaded because they have more commercial value later in life due to FDA regulations in the United States. You may also want to consider product life-cycles and plan for R&D that coordinates with market share and expiration of patents. All of the above considerations play directly into the value of your portfolio, which leads to leveraging your IP.

#### *D. Leveraging your IP*

Leveraging is the economic means in which advantage is gained from your IP—that is, “converting an innovation into cash or profits.”<sup>34</sup> Leveraging “requires an honest assessment of core competencies, including the enterprise’s ability to innovate rapidly

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<sup>32</sup> RANDY HILLSON, IN SEARCH OF STRATEGIC INTELLECTUAL PROPERTY MANAGEMENT: MYTH OR REALITY? 10–12 (2011), *available at* <http://www.minncle.org/attendeemats/29812/index.htm>.

<sup>33</sup> *Id.* at 15.

<sup>34</sup> SULLIVAN ET AL., *supra* note 12, at 106.

and continuously ('Quick to Innovate') and to get new innovations into the market ('Quick to Market')."<sup>35</sup>

Leveraging also requires that long and short term business goals and objectives are at the forefront of decision-making. Leveraging can take on a variety of forms. A company might leverage their assets by the traditional objective of obtaining market exclusivity and locking competitors out of a sector.<sup>36</sup> Monetizing IP through license agreements is a common practice employed by nonprofits like Sesame Workshop (licensing *Sesame Street* characters to diaper and food manufacturers) to educational institutions like Stanford University (generating billions of dollars in licensing fees from their technology transfer office) to non-practicing entities like Intellectual Ventures (aggregating 30,000 patents and earning more than \$2 billion in licensing fees).<sup>37</sup> Accessing technology through joint ventures and strategic alliances is another leveraging strategy.<sup>38</sup> Sometimes leveraging intellectual assets may be just a public relations advantage, and have nothing to do with cash flow. For instance, IBM has long had the goal to be

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<sup>35</sup> LINDSAY MOORE & LESLEY CRAIG, INTELLECTUAL CAPITAL IN ENTERPRISE SUCCESS: STRATEGY REVISITED 98–99 (2008).

<sup>36</sup> See John Murphy, *Toyota Builds Thicket of Patents Around Hybrid To Block Competitors*, WALL ST. J., July 1, 2009, <http://online.wsj.com/news/articles/SB124640553503576637>; see also Stephen Manton, *Manage Your Knowledge, Protect Your IP*, MANAGING INTEL. PROP., Oct. 2009, at 76, 78 ("IP rights are often thought of purely as assets that restrict competitors' technical and commercial options").

<sup>37</sup> See, e.g., JOHN PALFREY, INTELLECTUAL PROPERTY STRATEGY 48–51 (2012) (describing the broad range of industries that leverage IP through licensing).

<sup>38</sup> Even fierce rivals may try IP strategic alliances. See Althea Chang, *Ford and Toyota's Hybrid Partnership*, FORBES (Aug. 31, 2011, 12:30 PM), <http://www.forbes.com/sites/altheachang/2011/08/31/ford-toyota-hybrid-partnership/>. However, such alliances may not last; see also Mike Ramsey, *Ford, Toyota End Hybrid Partnership*, WALL ST. J., July 23, 2013, <http://online.wsj.com/news/articles/SB10001424127887323829104578624261640189392>.



the leader in the number of annual patents issued in order to “enhance [its] reputation as an inventive company.”<sup>39</sup> As of 2012, IBM was still the organization with the most annual patents granted, receiving 6478 in that year alone.<sup>40</sup>

Methods for leveraging and monetizing your IP portfolio are ever increasing. Some of the options include royalty interest sales, IP collateralized loans, patent auctions, litigation, non-practicing entities, outright sale or transfer, and strategic structuring arrangements.<sup>41</sup>

### *E. Enforcing Your IP*

Enforcing your rights is perhaps the most costly aspect of managing your IP portfolio. Enforcement includes both maintaining your rights through statutorily required payments and asserting your rights through litigation against infringers. As in every business, doing more with less requires planning, collaboration, and strategy. As markets have become global, the labor required to effectively police and enforce brands and marks is prohibitively expensive for some companies.<sup>42</sup> For those that can

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<sup>39</sup> CHRISTOPHER M. ARENA & EDUARDO M. CARRERAS, *THE BUSINESS OF INTELLECTUAL PROPERTY* 137 (2008).

<sup>40</sup> *IBM Tops U.S. Patent List for 20th Consecutive Year*, IBM (Jan. 10, 2013), <http://www-03.ibm.com/press/us/en/pressrelease/40070.wss#release>.

<sup>41</sup> Jose A. Esteves, *Overview of IP Monetization Techniques*, in *IP MONETIZATION 2013: MAXIMIZE THE VALUE OF YOUR IP ASSETS* 125, 125–203 (2013) (reviewing the many strategies for leveraging IP assets in the monetization context); see also Marlo T. Miksche & Steven W. Roth, *A Balanced Approach to Patent Utilization*, 5 CYBARIS® AN INTELL. PROP. L. REV. 99 (2014).

<sup>42</sup> Sara J. Parikh & Vandana Razdan, *Going Global: What American Companies Are Doing to Build and Protect Their Brands Overseas*, LANDSLIDE, July/Aug. 2012, at 30, 35 (“Fortune 500 companies say that they will continue to look for ways to control the costs of building and protecting their marks around the world. One way to do this is to streamline their brand portfolios, reducing

afford it, litigation is a favored strategy, however, litigation is becoming increasingly expensive.<sup>43</sup> Effective enforcement requires communication and education, which allows you to employ your own workforce as the frontline police in detecting infringement and asserting your IP rights.

Maintenance of your IP rights is mandatory in order to maintain the statutory grant.<sup>44</sup> There are several ways in which maintenance payments can be made. It should be noted that the payment of maintenance fees is simply a clerical activity and great cost savings are achieved by allowing a company that specializes in these payments to handle this aspect of enforcing your portfolio.<sup>45</sup> Not only do you save money but you also transfer the liability for the maintenance out of your own hands.

While detecting infringement requires diligent policing, responding to infringement requires a whole other strategy. The importance of IP to a company's balance sheet can be seen in the recent Apple and Samsung litigation.<sup>46</sup> Samsung shares dropped

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strain on these ultraclean trademark departments and cutting the cost of locating and prosecuting potential infringers.”).

<sup>43</sup> Charles Duhigg & Steve Lohr, *The Patent, Used as a Sword*, N.Y. TIMES, Oct. 8, 2012, at A1, available at 2012 WLNR 21297911 (“Last year, for the first time, spending by Apple and Google on patent lawsuits and unusually big-dollar patent purchases exceeded spending on research and development of new products . . .”).

<sup>44</sup> 35 U.S.C. § 41(b) (2012) (providing the escalating patent maintenance fee schedule, rising from \$980 three and a half years after filing, to \$4110, after eleven and a half years).

<sup>45</sup> See EPO Board of Appeals, Case No. J 0014/08 (July 17, 2009), (providing an interesting cautionary example of losing IP rights even when specialized companies are employed), available at <http://www.epo.org/law-practice/case-law-appeals/recent/j080014eu1.html>.

<sup>46</sup> See generally *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 909 F. Supp. 2d 1147 (N.D. Cal. 2012) (denying Apple's motion for permanent injunction after a jury found numerous Samsung products infringed Apple's patents and diluted Apple's trade dress—one of a series of cases between the parties).

7.5 percent after it lost an infringement case to Apple in late August 2012.<sup>47</sup> The ruling in the case reduced Samsung's market value by \$12 billion overnight.<sup>48</sup> When you are on the winning side of litigation it is a great value boost. However, litigation is a gamble and the environment in which you choose to litigate must be considered. The overarching principle prior to entering any litigation is to determine the commercial outcome you seek—in other words, how the choice to litigate fits into your overall business goals and objectives. If your business goal is to be first to market and you discover an infringing product, then you have several options. Choosing the option that is the loudest in the marketplace is perhaps the best choice so that you firmly plant your “first to market” stake in the ground.

Litigation strategy also requires several tactical considerations: Is the infringement local or international? Is the industry one in which there is a likelihood of success for the plaintiff? Is the legal claim ripe? Each strategy has its own considerations. For example, in the recent *Organic Seed Growers and Trade Association v. Monsanto Company* case, the plaintiff's claim was dismissed for lack of subject matter jurisdiction.<sup>49</sup> The court recognized that it is “likely inevitable” that conventional crops will be contaminated with genetically modified crops and that contamination would lead to a finding of infringement.<sup>50</sup> However, the fact that someone is likely infringing does not create declaratory judgment jurisdiction. Rather, the patentee must have taken some additional step to create some threat of enforcement, and defendant Monsanto stated that it would not sue unless the farmers took advantage of the patented

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<sup>47</sup> *Samsung Shares Slump after Apple Patent Ruling*, MARKETWATCH.COM (Aug. 27, 2012, 4:16 AM), <http://www.marketwatch.com/story/samsung-shares-slump-after-apple-patent-ruling-2012-08-27>.

<sup>48</sup> *Id.*

<sup>49</sup> 718 F.3d 1350, 1361 (Fed. Cir. 2013).

<sup>50</sup> *Id.* at 1357.

seeds' unique properties. Thus, the plaintiffs' case failed because the farmers "have not made any allegations that they fall outside Monsanto's representations."<sup>51</sup>

Considering the successful litigation history in favor of Monsanto, litigation was, perhaps, not the best choice in trying to obtain certain rights.

Also when considering litigation, ask yourself whether you are hitting a mosquito with a hammer. Occasionally the answer is yes. This is where it takes good outside counsel and calm heads to objectively determine the harm caused by the infringement.<sup>52</sup> In trademark cases the harm may be significant, but there may also be an upside as it might lead to greater brand recognition. Additionally, a good public relations spin may meet your objectives by forgiving or granting (compelling) a license.

Enforcing your rights also means policing for infringers. Policing harkens back to collaboration and communication. For example, you cannot monitor your rights all by yourself, and although you can hire companies to do so, educating your colleagues about your IP portfolio and what infringement looks like is an integral part of your enforcement strategy.<sup>53</sup> The people that work for the company are going to know when or if they see

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<sup>51</sup> *Id.* at 1359.

<sup>52</sup> Over-aggressive counsel may engage in "trademark bullying." See generally, Kenneth L. Port, *Open Letter to Director David Kappos of the United States Patent and Trademark Office*, 2 CYBARIS® AN INTELL. PROP. L. REV. 13 (2011) (making a case for the USPTO to actively discourage and prevent trademark bullying).

<sup>53</sup> See Parikh & Razdan, *supra* note 41, at 33. (describing how global brand managers "rely heavily on their thousands of employees, outside counsel, and distributors around the world to keep an eye out for potential infringements. This informal network is considered to be a core part of their brand protection team.").

something that seems to be infringing and can then bring it back to you for investigation.

### III. CONCLUSION

Effective IAM is simply aligning intellectual assets with your business strategy. The framework for developing a strategy includes five pillars: identifying, recording, aligning, leveraging, and enforcing your rights. While it sounds relatively straightforward, the activities involved in each of these five pillars requires significant thought, planning, and use of best practices. The following articles in this issue of *Cybaris*®, *an Intellectual Property Law Review*, offer best practices in each of these five areas. Please also consider the appendix to this article for some questions to ask when developing your IP strategy.

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## IV. APPENDIX

An Intellectual Asset Management Plan Checklist<sup>54</sup>Identify

- Is there a current IAM strategy or policy?
- What is the level of knowledge and commitment to IP issues at every level of the organization?
- Identify the principal products and services of your organization.
- Audit your intangible assets and map them to your products and services.
- Audit intangible assets that are used for a business purpose.
- Is there any current or pending litigation?
- Identify all parties that touch intangibles: business partners, employees, contractors, etc.
- Develop and streamline invention disclosure and brand management policies and communicate and educate employees.
- Manage your outside counsel relationships.
- Develop a confidential information policy and communicate it.
- Identify licenses—both in and out.
- Review your agreements: software license agreements; joint development agreements; assignability, non-disclosure, and non-compete agreements.

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<sup>54</sup> Adapted from ARENA & CARRERAS, *supra* note 38, at 367–374.

Record

- What tools are in place to manage documents, dates, and relevant data?
- What is important to the decision making process in determining purchases?
- Will you use the “cloud” or not?
- Is the record progressive or not?
- What are the budget and cost considerations?

Align

- What are the strengths of the IP portfolio?
- What are the IP portfolio’s weaknesses?
- Are there competitors who are limiting you freedom to operate?
- What are the work-arounds?
- What are your expansion plans and how can they be met through innovation?
- What are your offensive or defensive rights?
- Is your portfolio in alignment with your business goals?

Leverage

- What types of value extraction fit with the company’s overall goals?
- Are you risk-positive or risk-averse?
- Are you capital heavy or capital constrained?

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*Enforce*

- Is there an existing enforcement plan?
- What considerations are given to methods of enforcement given the level of infringement?